

Message Text

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43

ACTION OPIC-06

INFO OCT-01 AF-06 ISO-00 EB-07 AGR-05 AID-05 TRSE-00 FRB-03

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P 221420Z JAN 75

FM AMEMBASSY KIGALI

TO SECSTATE WASHDC PRIORITY 3335

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ALSO FOR OPIC. DEPT PLS PASS IFC AND WERTHEIM

E.O. 11652: N/A

TAGS: ECIN

SUBJECT: WERTHEIM TEA PROJECT

REF: STATE 10032

1. EMB HAS REVIEWED OCIR/T FIGURES SEPARATELY WITH FORMER EXPAT MGR MULINDI AND WITH DIRGEN OCIR/T REBANJE. LATTER APOLOGIZED IMMEDIATELY THAT PREVIOUS FIGURES HAD BEEN PREPARED HURRIEDLY DURING HOLIDAYS AND WERE THUS SOMEWHAT INACCURATE. HE SPECIFICALLY NOTED GREEN LEAF FIGURE WAS TRANSPOSED AND SHOULD HAVE READ 40.50 FRR KG RATHER THAN 45.00. RIBANJE ALSO PRODUCED REVISED TEA PRODUCTION COST FIGURES (COUNTER-SIGNED BY BOARD DIRECTORS) BASED ON AVERAGE ALL OCIR/T TEA PLANTATIONS RWANDA (RATHER THAN JUST MULINDI). OCIR/T COST PROJECTIONS FOR 1975 (AND ACTUAL FIGURES FOR 1974 IN PARENS) FOLLOW:

I. PRICE FRR PER KG DRY TEA

- FACTORY COST FOR GREEN LEAF 40.50 (36.00)

-MANUFACTURING CONSUMABLES

(WOOD, FUEL, ELECTRICITY,
WATER AND SPARE PARTS) 8.00 (5.40)

-SALARIES AND WAGES

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(EXPAT 2.00; WHITE COLLAR

1.50; BLUE COLLAR 3.00)	6.50	(6.50)
-TEA CHESTS AND PACKING	7.50	(6.00)
-ADMIN COSTS	1.50	(1.40)
-DEPRECIATION	6.00	(5.00)
-INTEREST CHARGES	5.00	(2.00)
-TRANSPORT EX-TEA FACTORIES TO KIGALI	5.00	(3.50)
 TOTAL	 80.00	 (65.80)

2. INTERPRETATIVE COMMENT: GREEN LEAF PRICE: GOR HAS TAKEN DECISION INCREASE GREEN LEAF PRICE TO 40.50 (IN REACTION TO INFLATION AND MAINTENANCE GROWER INCENTIVES). RIBANJE "EXPECTS" PRICE TO REACH 45.00 WITHIN FIVE YEARS BUT WORLD TEA PRICE AND OCIR PROFITABILITY ARE CONSTRAINTS. MANUFACTURING CONSUMABLES: 1975 INCREASE REFLECTS RISING COSTS THOSE ITEMS. MULINDI EX-EXPAT MGR BELIEVES 7.00 IS REASONABLE FOR FUEL, FIRE WOOD AND ELECTRICITY/WATER. WAGES AND SALARIES: RIBANJE NOTED OCIR/T COSTS HIGHER THAN WERTHEIM SHOULD EXPECT SINCE THEY REFLECT OCIR POLICY OF REDUNDANT HIRING FOR PURPOSES SOCIAL POLICY AND TRAINING. HE CONFIRMED OCIR/T PLANTATIONS EXEMPT FROM RECENTLY PASSED 70 FRR PER DAY MINIMUM WAGE BUT DO PAY A PREVIOUS INCREASE (40 FRR PER DAY UP FROM 30 FRR). INTEREST CHARGES: LARGE JUMP IN 1975 IS CAUSING OCIR TO SEEK RENEGOTIATE SOME OF ITS LOANS.

3. OCIR COSTS: AS OF POSSIBLE SUPPLEMENTARY INTEREST, OCIR/T TABLE SHOWS OCIR PROFITABILITY SLIPPING FROM 25.30 FRR KG IN 1974 TO 2.30 IN 1975 BECAUSE OF INCREASED PRODUCTION AND TRANSPORTATION COSTS BASED ON SALES PRICE FOB MOMBASA OF FRR 109 - A BASE RIBANJE VIEWS AS VERY CONSERVATIVE I.E. OCIR/T PROFIT IN 1975 SHOULD BE HIGHER THAN INDICATED. EX-OCIR/T COSTS FOR 1975 (1974) ESTIMATED AT CUSTOMS AND TAX 8.00 (5.00), TRANSPORT KIGALI-MOMBASA - 13.00 (12.80), SALES EXPENSES 3.50 (3.00), FINANCING COSTS 2.10 (2.10) AND MISC - 0.10.

4. COPIES OF OCIR/T TABLE BEING POUCHED AF/C FOR DISLIMITED OFFICIAL USE

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TRIBUTION OPIC, IFC AND WERTHEIM. HOWEVER, THIS CABLE CONTAINS ALL PERTINENT INFO. THESE DATA VALID FOR INTERNAL OCIR/T PLANNING AND THUS OBIVATE CONCERN POSED PARA 3 REFTEL.

5. DECLASSIFY UPON RECEIPT. FRITTS

NOTE BY OC/T: NOT PASSED IFC AND WERTHEIM.

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Message Attributes

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Margaret P. Grafeld
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